

SENATE BILL REPORT

SB 5732

As of January 18, 2012

Title: An act relating to exempting certain manufacturing research and development activities from business and occupation taxation.

Brief Description: Exempting certain manufacturing research and development activities from business and occupation taxation.

Sponsors: Senators Chase and Kastama.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/14/11, 2/16/11, 2/17/11 [DPS, w/oRec], 1/23/12.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5732 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Ericksen, Holmquist Newbry, Kilmer and Shin.

Minority Report: That it be referred without recommendation.

Signed by Senators Hatfield and Zarelli.

Staff: Jack Brummel (786-7428)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the cost of doing business. Revenues are deposited in the state General Fund.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Proposed Second Substitute): The B&O tax is not due on the value of products manufactured in Washington during their first five years of production if the product was developed as a result of research and development at the University of Washington or Washington State University, and the product is being manufactured pursuant to a licensing agreement with either school.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2011.

Staff Summary of Public Testimony:

Testimony From 2011 Regular Session on Proposed First Substitute.

PRO: The B&O tax punishes small businesses. Part of our strategy is to encourage our new businesses. This is one small step to help them achieve prosperity for themselves and for our state.

Persons Testifying:

Persons Testifying From 2011 Regular Session on Proposed First Substitute.

PRO: Senator Chase, prime sponsor.